

Message Text

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ORIGIN TRSE-00

INFO OCT-01 NEA-09 ISO-00 L-02 EB-07 RSC-01 /020 R

DRAFTED BY OMEA/TREASURY:TWAHL:PM

APPROVED BY NEA/EGY:HFMATTHEWS

TEFR/TREASURY:GLPARSKY (DRAFT)

OS/TREASURY:RPATRICK (DRAFT)

L/T:WMMCQUADE (DRAFT)

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R 062342Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

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E.O. 11652: N/A

TAGS: EGEN, EG

SUBJECT: JWG ON ECONOMIC AND FINANCIAL COOPERATION:

TAX ISSUES

REF: (A) CAIRO 10343 (B) STATE 280368

1. APPRECIATE STATUS REPORT ON TAX ISSUES PROVIDED REF A.
PROPOSAL FOR TAX ASSISTANCE PROGRAM HAS BEEN FORWARDED
REF B FOR EMBASSY REVIEW.

2. RE TAX TREATY NEGOTIATIONS, WE HOPE HABIB WILL IN NEAR
FUTURE BE ABLE TO PROVIDE COORDINATED GOE RESPONSE TO RE-
VISED DRAFT AND SATISFACTORILY DEAL WITH QUESTIONS RE TAX
TREATMENT OF U.S. INVESTMENT WHICH MAY HAVE BEEN RAISED
WITHIN GOE OR BY FORD FOUNDATION CONSULTANT SMITH.

3. FYI. IN NOVEMBER NEGOTIATIONS REPRESENTATIVES OF IN-
VESTMENT AUTHORITY APPEARED CONCERNED THAT TREATY PROVI-
SIONS MIGHT AFFECT INCENTIVES PROVIDED UNDER EGYPTIAN
FOREIGN INVESTMENT LAW. U.S. TEAM SOUGHT TO ALLAY THESE
CONCERNS AND BELIEVES HABIB HAS GOOD UNDERSTANDING OF THIS
AND OTHER OUTSTANDING QUESTIONS. THROUGHOUT DISCUSSIONS,
CONTINUING GOE MISGIVINGS OVER LACK OF A U.S. TAX IN-

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VESTMENT INCENTIVE HAVE BEEN OVERCOME BY MOMENTUM OF JWG

MEETINGS AND DESIRE FOR JOINT PROGRESS. WE BELIEVE THIS
PATTERN WILL CONTINUE IF THE TAX TREATY CAN CONTINUE TO BE

DISCUSSED IN THAT CONTEXT. END FYI.

4. WE ARE ATTEMPTING DISCREETLY TO LEARN MORE OF SMITH'S
CONSULTANT ROLE AND RECOMMENDATIONS, AND WOULD LIKE ANY
ADDITIONAL DETAILS EMBASSY MIGHT OBTAIN WITHOUT DIRECTLY
RAISING MATTER WITH GOE OFFICIALS INVOLVED IN TAX NEGOTI-
ATIONS. BELIEVE OUR BEST APPROACH WITH GOE IS TO AWAIT
HABIB'S OVERALL RESPONSE AND NOT DISCUSS PORTION OF
TREATY OR INDIVIDUAL PROVISIONS WITH OFFICIALS.

5. ON PROCEDURE FOR INITIALING TREATY DRAFT, WE HAD BEEN
UNDER IMPRESSION THAT CABINET MINISTER OR OTHER HIGH-
LEVEL OFFICIAL COULD INITIAL DRAFT WITHOUT FORMAL ADVANCE
APPROVAL BY CABINET OR THAT CABINET APPROVAL COULD BE
QUICKLY OBTAINED. SCENARIO WE ENVISAGED WAS THAT GOE
TAX NEGOTIATORS WOULD COME TO WASHINGTON SEVERAL DAYS BE-
FORE HIGH-LEVEL VISIT IN ORDER TO WORK OUT ANY DETAILS ON
FINAL TEXT WHICH COULD THEN BE INITIALED DURING VISIT.
WHEN HABIB RESPONDS RE TREATY TEXT, EMBASSY SHOULD CON-
FIRM FOREGOING UNDERSTANDING. IF AN EXTENDED PERIOD OF
TIME IS REQUIRED, THEY CAN BEGIN WORK ON AN ARABIC TRANS-
LATION. EVENTUALLY VERSIONS IN ENGLISH AND ARABIC MUST
BE SIGNED.

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